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National Intelligence Bulletin

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August 12, 1975

No 669

State Dept. review completed

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Approved For Release 2007/03/07 : CIA-RDP79T00975A028000010012-7

Approved For Release 2007/03/07 : CIA-RDP79T00975A028000010012-7

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National Intelligence Bulletin

August 12, 1975

CONTENTS

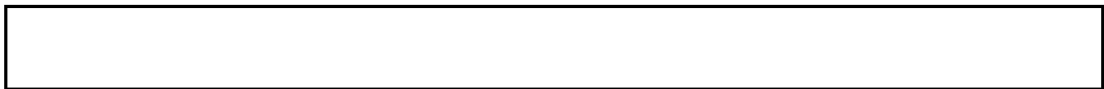
PORTUGAL: Communists concerned about their increasing political isolation	1
ARGENTINA: Cabinet changes	3
PORTUGUESE TIMOR: Power grab heightens anxiety in Jakarta	5
LAOS: Pathet Lao preparing for take-over of Vientiane	6
CAMBODIA: Sihanouk ambivalent about returning to Phnom Penh	7

25X1



INDIA: Latest on Supreme Court's decision	9
RHODESIA: Smith agrees to begin negotiations with black nationalists	10
ANGOLA: Popular Movement almost in complete control of Luanda	11

25X6



CYPRUS: Transfer of Turkish Cypriots has begun	13
PERU: Velasco moves against opposition	14

25X1



ANNEX: India's Naval Air Arm

25X1



National Intelligence Bulletin

August 12, 1975

PORTUGAL

The conciliatory tone of Portuguese Communist leader Cunhal's statement on Sunday to the party central committee shows a growing concern about the mounting violence in northern Portugal and the increasing political isolation of the Communists.

Cunhal called for changes in the government to broaden its support and improve its efficiency. He also stressed a need to overcome widening rifts between civilian organizations and within the military. The Communist leader appeared to back away from his previous tough positions, renewing an earlier Communist theme that his party is willing to work with all groups that "cooperate with the goals of the revolution." Cunhal also mentioned the need for Portugal to maintain close relations with capitalist countries—especially those in the EC.

A softening of the Communist line is evident in the renewed Soviet interest in a broadly based leftist coalition in Lisbon. The Soviet press in recent weeks has treated the Portuguese Socialists harshly, but in reporting on a recent meeting between Soviet and Italian Communist delegations *Pravda* noted that both sides "advocated unity of action" by all forces of the left, including the Socialists.

Cunhal's remarks have had no immediate effect on anti-Communist activity in northern Portugal. In Braga, violence continued for a second day. Demonstrators there have burned down the party's headquarters and destroyed the offices of the Communist-dominated Portuguese Democratic Movement and the Communist-controlled labor confederation.

General Pinto Soares has resigned from the Revolutionary Council and from his post as head of the military academy to protest the way decisions are made in the Armed Forces Movement and the continuing radicalization of the military. He voiced even stronger opposition to the dissidents' document drafted by former foreign minister Antunes, labeling it "divisionist" and "opportunistic."

The nine officers suspended from the Revolutionary Council for circulating the antiregime document reportedly have decided not to comply with an order to report to their respective general staffs for reassignment. Sources close to Antunes now claim that 85 to 90 percent of the armed forces support the views set forth by the dissident officers.

National Intelligence Bulletin

August 12, 1975

These sources told the US embassy that they still hope to avoid force to remove Goncalves. They expect to demonstrate so much support within the military that President Costa Gomes will have no alternative but to dismiss Goncalves and his newly formed government. President Costa Gomes' performance to date, however, has raised speculation in Lisbon that he may be reluctant to move against Goncalves because of the close ties between their families, or because he is being blackmailed by radical officers for alleged cooperation with the Caetano regime.

Antunes' group claims to have the backing of most enlisted men and presumably thinks it can count on them for a show of force. The dissidents may be overestimating their support, however, because the men have been subjected to considerable Communist and extreme left-wing propaganda.

Goncalves is unlikely to relinquish power without a struggle, and he still has considerable backing. Despite Cunhal's more conciliatory tone, Communists in the unions and the media would probably lend their support to an effort to maintain Goncalves in office.

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25X1

National Intelligence Bulletin

August 12, 1975

ARGENTINA

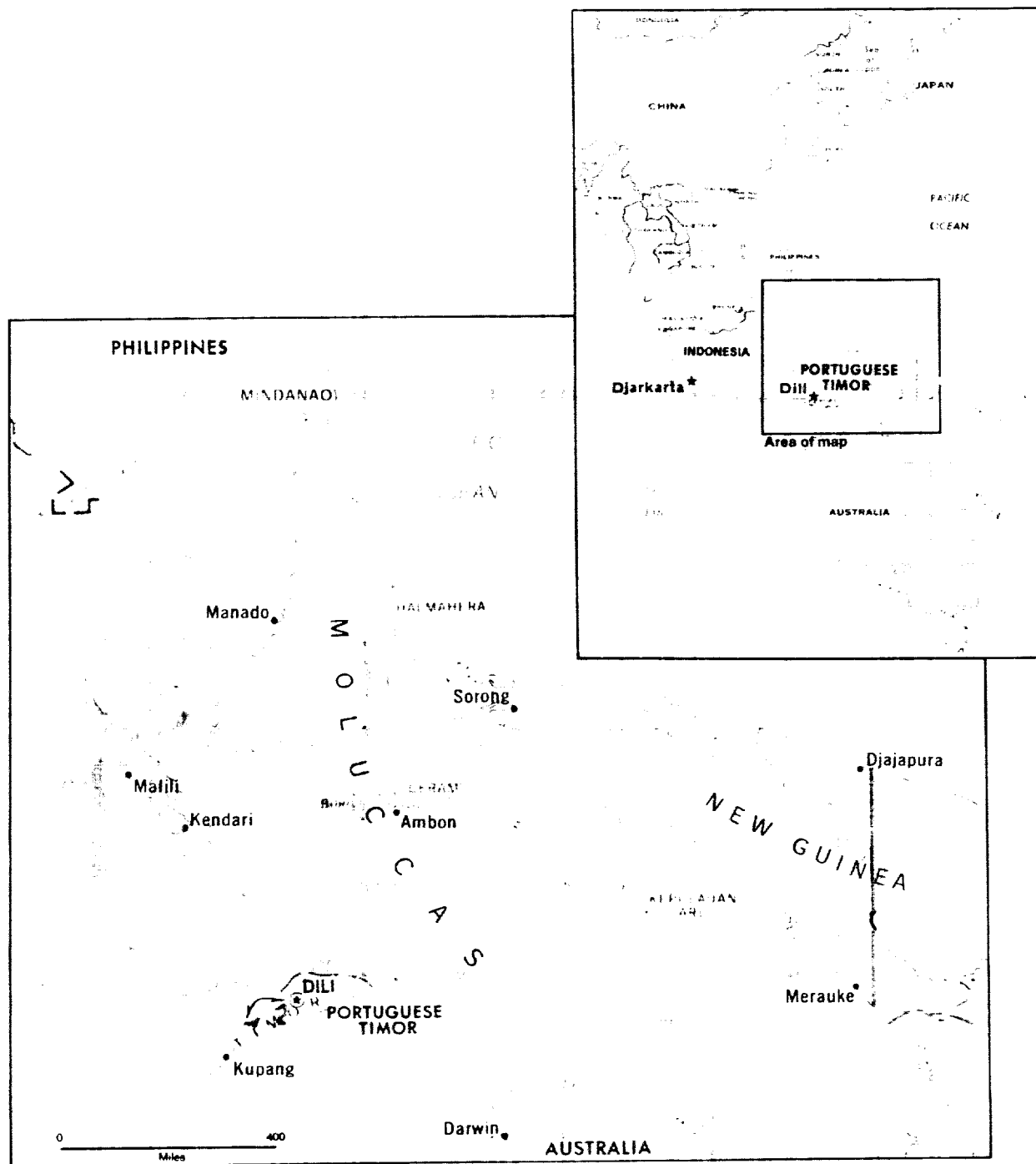
The cabinet changes yesterday—the third within a month—are an effort to create a government team with which labor and the military, who share power uneasily, can live comfortably. Only the defense and justice ministers from the previous cabinet retained their jobs. The government has yet to find anyone willing to take the difficult post of minister of economy.

Government spokesmen played down the political aspects of the cabinet changes, maintaining that they were an effort to give President Maria Estela Peron a free hand in choosing new officials to deal with the severe economic problems. In the process, the remaining ministers with links to former strongman Lopez Rega were ousted.

The military backed labor in its successful defiance of Lopez Rega and of government attempts to impose economic austerity, but did so in the face of a common enemy—Lopez Rega—and not because of any basic compatibility of interests. Indeed, the officers have apparently become steadily more uncomfortable with labor's continuing assertiveness. The military will be represented in the new cabinet by an army colonel who will head the important Interior Ministry.

Of particular interest is the departure of Antonio Benitez as the interior minister. He had emerged as head of the so-called "mini-cabinet," a trio of ministers who in recent weeks had assumed a growing role in the conduct of day-to-day government business. Benitez' initiative in office—he was the only cabinet member with personal stature—may have unnerved both labor and the military, who are unprepared to accept such independence of action. The lack of any strong personalities in the new cabinet is an indication that the power groups want people they can control, or who are at least considered to be innocuous, at the top levels of government. [REDACTED]

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National Intelligence Bulletin

August 12, 1975

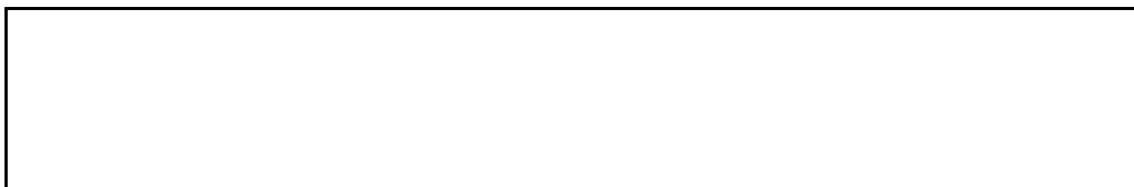
PORTUGUESE TIMOR

The power grab staged by pro-independence Timorese leaders over the weekend is bound to heighten anxiety in Jakarta that Timor will become a threat to stability and security in the Indonesian Archipelago.

Information about the situation in Timor is sketchy. Initial reports indicate that members of the Timor Democratic Union Party, an anti-communist, pro-independence group, led the power grab against Portuguese authorities in Dili. On August 9 and 10, party members reportedly occupied communications centers, the airport, and the police station and laid siege to the military headquarters. It is not clear, however, whether they were seeking to take full control of the government.

There has been no reaction as yet from local Portuguese troops, most of whom were apparently out of the capital conducting political education missions in the countryside. The Portuguese governor is reported to have met with the dissidents, but so far there has been no word about their demands or intentions.

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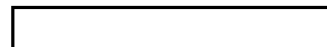
The events in Timor this weekend evidently caught the Indonesians by surprise and are likely to reawaken their fears about the prospects for an unstable or anti-Indonesia regime in Dili. Jakarta may conclude that the power grab was launched as a pre-emptive move against pro-Indonesia forces in the colony. Reacting to coup reports, Indonesia's security chief publicly warned on August 11 that Jakarta will not allow a situation to develop in Timor that threatens Indonesia.

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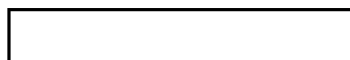


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National Intelligence Bulletin

August 12, 1975

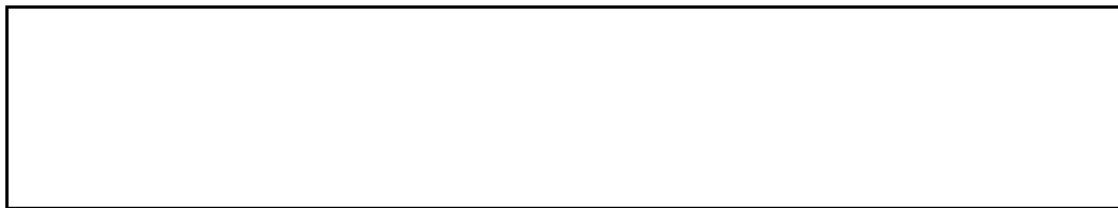
LAOS

The communists are planning three to five days of demonstrations in Vientiane this week supporting changes in the city's formal neutral status.

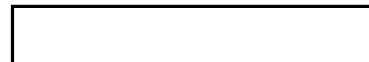
Parades and other rallies are scheduled to begin throughout the city on August 12 urging changes in the 1973 peace accords, which specify joint communist and non-communist control of local security and other functions. Once the city's status is changed unilaterally by the communists, they will assume direct control, abolish joint governing bodies, and change local officials. Communist cadre have been visiting Lao residential areas for eight weeks to organize support for these demonstrations. The organizers claim that the national government would not be directly affected by these changes in Vientiane's administration.

Anti-US and anti-Thai demonstrations may be staged as offshoots of the main effort. All demonstrations are supposed to be peaceful. Small anti-Thai demonstrations took place on August 9 to protest the expulsion of two Lao diplomats from Bangkok. The Thai sent the Lao home in retaliation for the arrest and detention without charge of two Thai military attaches in Vientiane last week.

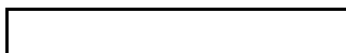
The change in the city administration will almost certainly be followed by stricter controls on the local people and, possibly, on the foreign community. The Vientiane military command, already controlled by the communists, issued an order for increased security on August 10 claiming that the US, in "collusion with the Thai, has infiltrated agents to destroy public order."



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National Intelligence Bulletin

August 12, 1975

CAMBODIA

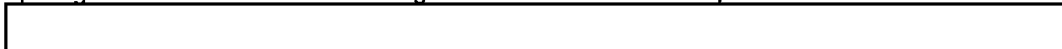
Prince Sihanouk reportedly is having second thoughts about returning to Cambodia at this time.



If Sihanouk decides to go, he will visit Phnom Penh briefly in September and then make an official visit to several friendly countries. Other diplomatic sources in Peking and Pyongyang have reported recently that Sihanouk might attend the UN General Assembly session in September, after a stopover in Cambodia, and then travel abroad.

This is the second or third invitation Sihanouk has received to return to Cambodia, and the Prince believes that he can no longer postpone his decision. He reportedly is concerned that the invitation includes only himself and Prime Minister Penn Nouth, and he even fears that he might be arrested upon arrival in Phnom Penh. The Prince also reportedly took a poll among his followers and found no desire on their part to return to Cambodia.

Sihanouk's hesitancy no doubt reflects his concern with the conditions he may find in Cambodia and his wariness at placing himself even temporarily under the physical control of Phnom Penh's communist authorities. The Cambodian communists do have some old scores to settle with Sihanouk, but they probably view his international prestige as a useful symbol of legitimacy and may want to continue to use his foreign contacts. Peking's desire to maintain good relations with the Khmer communists probably would preclude any Chinese effort to secure pledges from Phnom Penh in regard to Sihanouk's safety or future role in Cambodia.



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Approved For Release 2007/03/07 : CIA-RDP79T00975A028000010012-7

National Intelligence Bulletin

August 12, 1975

INDIA

The Supreme Court's decision to rule on the constitutionality of last week's amendment to the Indian constitution that placed election of the prime minister above challenge in the courts will delay, but the US embassy in New Delhi believes it is unlikely to alter, a final outcome favoring Prime Minister Gandhi.

The court has agreed to hear a challenge to the amendment on the grounds that it violates a 1973 decision that the "basic structure" of the constitution cannot be changed by amendment. The disputed amendment—rushed through parliament, ratified by a majority of the states, and immediately signed into law by the president—provides that the election of the prime minister, among others, is outside the jurisdiction of the courts.

Earlier, Gandhi's lawyers had argued unsuccessfully that the amendment, which is retroactive, had already erased the guilty verdict handed down in June against the Prime Minister for engaging in illegal campaign activities.

Four of the five justices on the Supreme Court panel that will begin hearing arguments on the case on August 25 have been described by the US embassy as the "most committed" to Gandhi of the 13 on the court. A finding in her favor, therefore, is quite possible.

Even if Gandhi were to lose the current battle, the court might void the lower court's decision against her. The violations for which she was convicted in June have since been deleted from the electoral law by parliament. That legislation also is retroactive.

Finally, if the court fails her, Gandhi can use her overwhelming majority in parliament to assist her—possibly through creation of a constituent assembly to make basic changes in the constitution. [REDACTED]

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National Intelligence Bulletin

August 12, 1975

RHODESIA

South African Prime Minister Vorster and Rhodesian Prime Minister Ian Smith, who met in Pretoria last weekend, have announced that they agreed on proposals for starting the long-delayed negotiations between Smith and black Rhodesian nationalists. They withheld the details of the proposal, however, suggesting they anticipate objections from white politicians in Smith's Rhodesian Front Party or from the leaders of the African National Council.

Smith and the Council's leaders agreed last December to a truce and an early settlement conference, but they have since only wrangled over arrangements. Smith has insisted that the conference take place in Rhodesia, while the black nationalists have maintained that their exiled leaders might be arrested if they returned.



Zambian President Kaunda's special aide, Mark Chona, who visited Pretoria last weekend and concurred in the Smith-Vorster proposals, subsequently told black Rhodesian leaders in Zambia that:

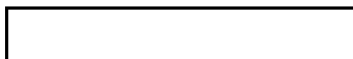
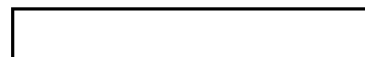
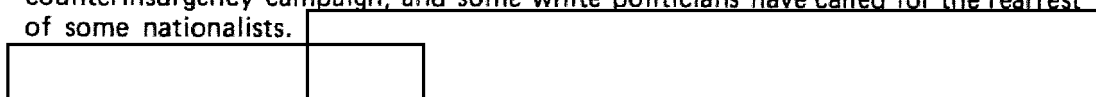
--After the Rhodesian government and the black leaders define the basic constitutional issues in the initial session, several joint committees will formulate the particulars of a settlement.

--The committees will then adjourn to Rhodesia to complete the text.

--The Rhodesian government guarantees that all black leaders engaged in negotiations will be free to come and go and that no black nationalists will be arrested as long as negotiations are under way.

--When the drafting committees have completed their work, a final conference will convene in London to conclude a formal settlement.

We doubt that either the Rhodesian cabinet or Smith's Rhodesian Front Party will accept the guarantees for the black nationalists. Government spokesmen have been preparing white Rhodesians for an early intensification of the counterinsurgency campaign, and some white politicians have called for the rearrest of some nationalists.



National Intelligence Bulletin

August 12, 1975

ANGOLA

Attacks instigated by the Soviet-backed Popular Movement for the Liberation of Angola in Luanda on August 8 and 9 against rival liberation groups were designed to establish total domination in the capital.

The Popular Movement forces squeezed troops of the National Union for the Total Independence of Angola out of Luanda and engaged the National Front for the Liberation of Angola in several clashes over the weekend. Under an arrangement with the Portuguese, Front elements in a fortress stronghold just north of Luanda were evacuated by a Portuguese naval vessel yesterday. The Popular Movement is now in almost complete military control of the city.

In the countryside, Front forces continue to hold Caxito, a town some 40 miles northeast of Luanda. Popular Movement forces, however, hold defensive positions south of the town and have blown a bridge along the coastal road leading to the capital. Areas several hundred miles south of Luanda, such as Benguela and Novo Redondo, which earlier were controlled by Front forces, are now in the hands of the Popular Movement. It has also won back Malange, 200 miles east of Luanda.

The Front now controls the northwestern section of Angola, with the Popular Movement dominant in the east and along the coast south of Luanda. Union forces hold political sway over much of the southern portion of the country, but without access to new sources of arms they may not be able to secure the area militarily.

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Approved For Release 2007/03/07 : CIA-RDP79T00975A028000010012-7

National Intelligence Bulletin

August 12, 1975

CYPRUS

The transfer of Turkish Cypriots from the Greek sector to the Turkish sector began on August 9 without incident.

Agreement to allow the Turkish Cypriots to move north was reached during the last round of the intercommunal talks in Vienna. Approximately 9,000 Turks remain in the south; it is anticipated that the transfer will take three to four weeks to complete. UN forces are escorting the Turks to the Turkish-occupied zone. Once the transfer is completed, the separation of Greeks and Turks on the island will be virtually complete with the exception of about 10,000 Greeks who will be allowed to remain in the north.

Ankara previously had refused to discuss territorial concessions while Turks remained "captives" in the south. Greek consent to allow the Turks to move north removes a major obstacle in the way of consideration of the territorial concessions issue. This issue, however, could prove difficult to resolve. Ankara is prepared to return some occupied land to the Greeks, but it now may find it politically unacceptable to do so while the US arms cutoff remains in force. Furthermore, National Salvation Party leader Erbakan reportedly will oppose any territorial concessions, thus restricting the government from acting on the issue. The Greek side is ready to accept a bizonal federation with a weak central government, but makes these concessions contingent upon a satisfactory reduction of the Turkish-controlled zone.

The Greek Cypriot position calls for about a 75-25 territorial division, while the Turks reportedly will settle for 30 to 35 percent of the island. They currently occupy about 40 percent of Cyprus. Should the Cypriot negotiators agree to a compromise in the 25- to 30-percent range, however, its implementation could be obstructed by Ankara or Makarios.

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25X1

National Intelligence Bulletin

August 12, 1975

PERU

The arrest and deportation last week of key opposition figures and the closure of a leftist magazine demonstrate the Peruvian government's determination not to allow dissent or interference with its policies.

The move to exile three leaders of the American Popular Revolutionary Alliance, a longtime opposition party, and a number of other leftist peasant and labor leaders follows President Velasco's address on July 28 in which he lashed out at the Alliance and "communist groups" for opposing the military-led revolution. Alliance leaders were probably caught off guard by the regime's move, however, because the President in the same speech alluded to "democratic" competition with opposition forces. Revolutionary Alliance leaders had taken Velasco at his word and were apparently planning to publish a response to his speech this week.

The government's move against the Alliance was probably designed not only to prevent the party from publishing its response, but perhaps more importantly to halt party inroads into the military establishment. One of the deported leaders reportedly had expanded the party's military contacts beyond links with dissident navy elements and had met with a group of army colonels. There have been recent reports that some officers, particularly in the navy, have expressed concern that Velasco has failed to stem leftist influence in the government. Exiling of radical leftist leaders last week may have been in response to these concerns.

The move against civilian opponents and the closure of the leftist biweekly *Marka* for its anti-Chile statements also reflect the government's desire to keep things under control during the conference of nonaligned foreign ministers scheduled to meet in Lima later this month. According to the US embassy, there have been indications that some opposition groups were planning disruptive acts to embarrass the government.

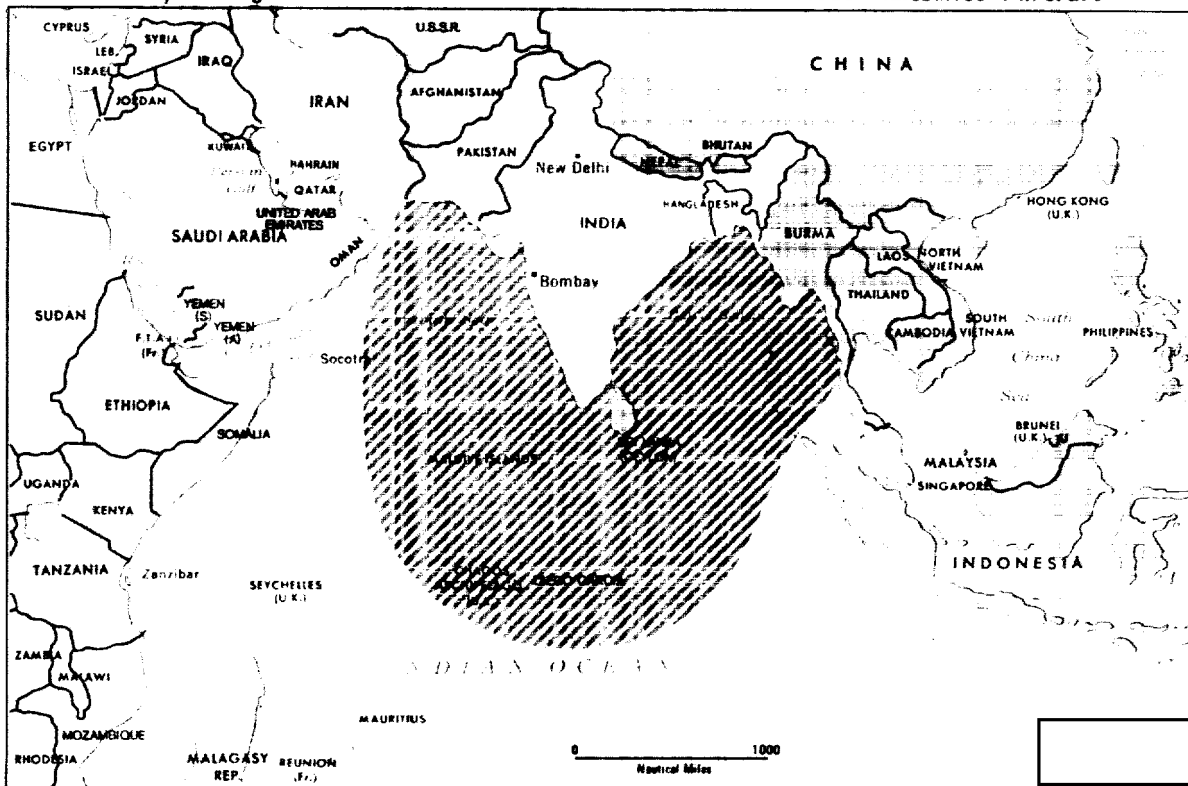
Top officials also probably felt the moves would help the government in its current effort to build a political organization. The repressive measures, however, are more likely to harden opposition to the government's planned political organization. A number of labor groups have already called for strikes to protest the deportations and other related moves.

25X1

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Probable Operating Area for India's IL-38/MAY Maritime Reconnaissance Aircraft



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25X1

National Intelligence Bulletin

August 12, 1975

ANNEX

India's Naval Air Arm

After years of neglect, the Indian navy has embarked on a program to upgrade its naval air arm. New Delhi is concerned about the increased great-power presence in the Indian Ocean and considers it potentially destabilizing. As a consequence, the government has apparently decided that its navy must be able to monitor and, to some extent, influence foreign naval operations in the area.

India's surface navy, although expanding, remains primarily a coastal defense force and cannot fulfill such broadened responsibilities by itself. To achieve such goals, the government is upgrading the reconnaissance, antisubmarine warfare, and strike capabilities of the Indian naval air arm.

Reliance on Aircraft Carrier

The key to India's naval air capability is its 16,000-ton aircraft carrier, the INS Vikrant. Although a small carrier, it is the only such ship permanently based in the Indian Ocean.

New Delhi used the carrier effectively during the 1971 Indo-Pakistani war to help seal the coastline of what was then East Pakistan, but the ship's effectiveness began to deteriorate soon thereafter. It was frequently out of commission because of mechanical difficulties most often associated with the boiler system, and the obsolescent antisubmarine warfare and strike aircraft assigned to it provided little offensive or defensive capability.

The Vikrant's capability, however, is being improved. The aircraft carrier underwent an extensive overhaul and refitting during 1973 and 1974 and is now fully operational. Furthermore, replacement of the carrier's Sea Hawk jet attack aircraft, a priority for several years, appears likely.

India has almost completed negotiations to buy the British VTOL/STOL MK1 Harrier and will probably acquire six of them in the near future. Additional Harriers will be acquired when the UK begins constructing a maritime version in two or three years. The Harrier is one of the few aircraft that can operate from the Vikrant without costly modifications to the carrier's flight deck and catapult system.

The Alize antisubmarine warfare aircraft assigned to the Vikrant also are in poor condition, but India has not yet shown any interest in replacing them. Instead, the navy apparently will rely on helicopters for its airborne antisubmarine warfare capability.

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National Intelligence Bulletin

August 12, 1975

During the last few years, India has acquired a substantial number of antisubmarine warfare helicopters, including 12 Sea Kings from the UK, 6 of which are permanently assigned to the aircraft carrier. Alouette III utility helicopters are currently being employed in such a role on India's two Leander-class destroyer escorts. A small number of KA-25 Hormone antisubmarine warfare helicopters—on order from the USSR—may replace the Alouettes, or could be used on larger combat ships expected to be delivered by the USSR during the late 1970s.

Maritime Reconnaissance

The navy has recently been given responsibility for India's maritime reconnaissance program. In the past, the air force performed this mission with a squadron of nine modified Lockheed C-121 Super Constellations. The marginal performance of these aircraft, however, made their replacement essential to an effective program.

Although India evaluated several Western-designed aircraft, including the French Breguet Atlantique and the British Hawker Siddeley Nimrod, a shortage of foreign exchange apparently made it necessary to select the IL-38 May offered by the USSR. The navy will receive three of these aircraft shortly, and as many as ten could eventually enter the inventory. The May's will be able to operate over the Indian Ocean to distances of more than 1,300 miles. India has acquired most of its combat and combat-support aircraft from the USSR since the US-UK arms embargo of South Asia in 1965.

Outlook

While the addition of modern equipment will add new impetus to India's expanding naval air capability, the effectiveness of the Indian naval air arm will probably not immediately improve.

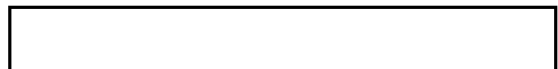
The navy has no previous maritime reconnaissance experience, and it will take time before naval attack, antisubmarine warfare, and air reconnaissance aircraft can effectively perform integrated flight operations. However, once effective command-and-control procedures are developed and necessary training programs have been instituted, the Indian naval air arm will be able to assume an expanded role in India's effort to monitor and influence great-power activities in the Indian Ocean. Further development of Indian naval air capabilities is expected as the great-power presence in the Indian Ocean expands.

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